



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated February 3, 2023)

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|-------------------------|---------------------------------|------------------------|--|
| Drafting Number: | LLS 23-0481 | Date: | March 22, 2023 |
| Prime Sponsors: | Rep. Weissman Sen. Rodriguez | Bill Status: | Senate Local Government Colin Gaiser 303-866-2677 |
| | | Fiscal Analyst: | colin.gaiser@coleg.gov |

Bill Topic: **LIMIT METROPOLITAN DISTRICT DIRECTOR CONFLICTS**

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| Summary of Fiscal Impact: | <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| | <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| | <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill establishes several restrictions on metropolitan district directors and the issuance of district debt. The bill minimally increases state and local government workload, and potentially impacts metropolitan district financing and costs.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

Summary of Legislation

The bill prohibits a metropolitan district director or board member who approved the issuance of debt from acquiring any interest in the debt individually, or on behalf of an organization. If a proposed metropolitan district contains or is anticipated to have zones for residential housing, and if the service plan permits the purchase of district debt which would confer a benefit or personal interest to a district director, a local government may not approve the service plan and no court may consider a petition for the organization of such a district. Maintaining any interest in the debt is a breach of fiduciary duty and the public trust under the statutory code of ethics for local government officials and employees.

State Expenditures

Beginning in FY 2023-24, the Division of Local Government in the Department of Local Affairs (DOLA) may have a minimal increase in workload to update internal documents and public information sites related to the formation of metropolitan districts. In addition, trial courts within the Judicial Department may have an incremental increase in workload if additional cases are filed alleging a breach of fiduciary duty and public trust. This workload does not require new appropriations.

Local Government

The bill impacts local governments in two primary ways: placing limits on metropolitan district directors and these districts' issuance of debt, and enforcement actions regarding breaches of fiduciary duties.

Metropolitan districts. Metropolitan districts will have workload to develop procedures to prevent conflicts under the bill. Legal service and insurance costs may increase to the extent that metropolitan districts are required to defend directors or pay for judgements against a director regarding a breach of fiduciary duty. Lastly, the bill restricts practices and methods of developer financing currently used by many metropolitan districts. By limiting who may purchase metropolitan district debt, the bill may hinder the ability of metropolitan districts to sell bonds or increase borrowing costs.

District attorneys. If district attorneys receive complaints related to a breach in fiduciary duties, workload will increase to investigate complaints and seek relief when appropriate.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

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| Counties | Information Technology | Judicial |
| Local Affairs | Municipalities | OEDIT |
| Special Districts | Treasury | |